



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

March 1, 2011

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Audubon County, Iowa.

The County had local tax revenue of \$10,544,895 for the year ended June 30, 2010, which included \$528,268 in tax credits from the state. The County forwarded \$7,107,826 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,437,069 of the local tax revenue to finance County operations, a 2.5% increase over the prior year. Other revenues included charges for service of \$436,468, operating grants, contributions and restricted interest of \$2,704,666, capital grants, contributions and restricted interest of \$169,866, unrestricted investment earnings of \$51,766, local option sales tax of \$205,436 and other general revenues of \$56,255.

Expenses for County operations totaled \$7,080,606, a 6.5% decrease from the prior year. Expenses included \$3,358,890 for roads and transportation, \$1,047,219 for public safety and legal services and \$674,269 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1010-0005-B00F.pdf>.

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AUDUBON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2010

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Audubon County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bruce Nelson	Board of Supervisors	Jan 2011
Todd M. Nelsen	Board of Supervisors	Jan 2013
Vernon Venteicher	Board of Supervisors	Jan 2013
Lisa Frederiksen	County Auditor	Jan 2013
Peggy Smalley	County Treasurer	Jan 2011
Mary Lou Johansen	County Recorder	Jan 2011
Todd Johnson	County Sheriff	Jan 2013
Francine O'Brien Andersen	County Attorney	Jan 2011
Debra Umland	County Assessor	Jan 2016

Audubon County



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Independent Auditor's Report

To the Officials of Audubon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Audubon County's management. Our responsibility is to express opinions on these financial statements based on our audit.

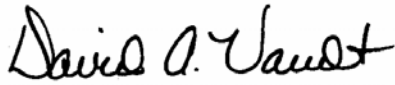
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County at June 30, 2010, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

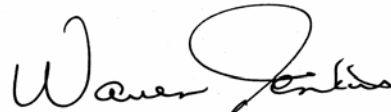
In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2011 on our consideration of Audubon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Audubon County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Audubon County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Governmental activities revenues increased less than one percent, or approximately \$32,000, over fiscal year 2009. Property tax increased 3.25%, or approximately \$103,000.
- Governmental activities expenses decreased 6.5%, or approximately \$490,000. Mental health expenses decreased approximately \$220,000, roads and transportation expenses decreased approximately \$217,000 and county environment and education expenses decreased approximately \$155,000.
- The County's net assets decreased less than one percent, or approximately \$19,000, from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Audubon County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Audubon County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Audubon County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services, auto license and use tax and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

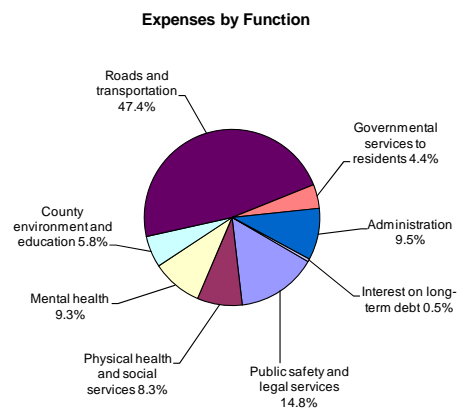
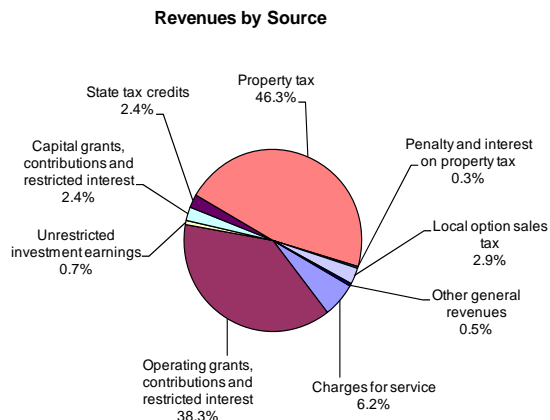
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the County's total net assets at June 30, 2010.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009
Current and other assets	\$ 7,997	7,803
Capital assets	9,859	10,260
Total assets	17,856	18,063
Long-term liabilities	877	904
Other liabilities	3,690	3,851
Total liabilities	4,567	4,755
Net assets:		
Invested in capital assets, net of related debt	9,717	10,166
Restricted	2,471	1,945
Unrestricted	1,101	1,197
Total net assets	\$ 13,289	13,308

Net assets of Audubon County's governmental activities decreased approximately \$19,000, or .14%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset component increased approximately \$526,000, or 27%, over the prior year. This increase is primarily due to increased amounts held by the Special Revenue, Mental Health and Secondary Roads Funds. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$1,197,000 at June 30, 2009 to approximately \$1,101,000 at the end of this year, a decrease of 8%. The decrease in unrestricted net assets is primarily due to a decrease in the amount held by the General Fund at year end.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Revenues:		
Program revenues:		
Charges for service	\$ 436	483
Operating grants, contributions and restricted interest	2,705	2,593
Capital grants, contributions and restricted interest	170	236
General revenues:		
Property tax	3,270	3,167
Penalty and interest on property tax	23	19
State tax credits	168	186
Local option sales tax	205	252
Unrestricted investment earnings	52	53
Other general revenues	33	41
Total revenues	7,062	7,030
Program expenses:		
Public safety and legal services	1,047	1,013
Physical health and social services	588	565
Mental health	659	879
County environment and education	408	563
Roads and transportation	3,359	3,576
Governmental services to residents	309	316
Administration	674	618
Interest on long-term debt	37	41
Total expenses	7,081	7,571
Change in net assets	(19)	(541)
Net assets beginning of year	13,308	13,849
Net assets end of year	\$ 13,289	13,308



The County increased property tax rates on average less than 1%. The overall rate increases coupled with an overall increase in taxable valuation of approximately \$12,000,000 increased the County's property tax revenue approximately \$103,000 in fiscal year 2010.

INDIVIDUAL MAJOR FUND ANALYSIS

As Audubon County completed the year, its governmental funds reported a combined fund balance of approximately \$4.3 million, an increase of approximately \$528,000 over last year's total of approximately \$3.8 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$209,000 over fiscal year 2009. This increase is primarily due to an increase in property tax revenues, resulting from tax levy and valuation increases, and increased grants in the Public Health department for bioterrorism. Expenditures decreased approximately \$28,000 from fiscal year 2009. The ending General Fund balance decreased approximately \$209,000 to approximately \$1,825,000 at June 30, 2010.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues totaled approximately \$1,076,000, a decrease of 7.6% from fiscal year 2009. Expenditures totaled approximately \$659,000, a decrease of 25% from the prior year. The Mental Health Fund balance increased approximately \$418,000 to \$605,417 at June 30, 2010.
- Rural Services Fund revenues increased approximately \$117,000, primarily due to funds received for a flood and erosion project. Expenditures decreased approximately \$140,000, due mainly to a decrease of approximately \$179,000 in uniform patrol salaries paid from the Rural Services Fund offset by increased costs related to a flood and erosion project. The Rural Services Fund balance increased approximately \$157,000 to \$350,000 at June 30, 2010.
- Secondary Roads Fund expenditures decreased approximately \$144,000 from the prior year, mainly due to a decrease in FEMA repair work. Revenues increased approximately \$82,000 over the prior year, primarily due to increased road use tax revenue offset by an 18.6% decrease in local option sales tax revenues. These changes resulted in an increase in the Secondary Roads Fund ending balance of approximately \$174,000 to \$1,467,126 at June 30, 2010.

BUDGETARY HIGHLIGHTS

Over the course of the year, Audubon County amended its budget three times. The amendments were made on August 10, 2009, May 24, 2010 and June 14, 2010 and resulted in a \$643,596 increase in receipts and a \$760,646 increase in disbursements.

The County's receipts were approximately \$677,000 less than budgeted, a variance of 8.5%. Five emergency watershed projects originally planned for fiscal year 2010 were delayed to fiscal year 2011.

Total disbursements were approximately \$1,825,000 less than the amended budget. County environment and education function disbursements were approximately \$800,000 less than budgeted due to emergency watershed projects not completed in fiscal year 2010 due to weather conditions. The projects have been delayed to fiscal year 2011. Mental health function disbursements were approximately \$319,000 less than budgeted, primarily due to less mental health service costs. Costs were lower than expected due to a 10% increase in the Federal reimbursement rate paid directly to the institution (reducing the County's cost), an increase in clients eligible for the waiver program funded by Federal dollars and a general reduction in committals. Roads and transportation function disbursements were approximately \$484,000 less than budgeted. While snow and ice removal costs were higher due to extreme winter weather conditions, costs related to bridges, culverts, roads and equipment operations were less than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, Audubon County had approximately \$9.86 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$400,000 from June 30, 2009.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2010	2009
Land	\$ 931	931
Construction in progress	98	394
Buildings and improvements	735	689
Equipment and vehicles	751	934
Infrastructure, road network and other	7,344	7,312
Total	\$ 9,859	10,260

The County had depreciation expense of \$741,627 for fiscal year 2010 and total accumulated depreciation of \$7,253,994 at June 30, 2010.

More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2010, Audubon County had approximately \$674,000 in loans and general obligation notes/bonds outstanding, compared to approximately \$719,000 at June 30, 2009.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2010	2009
General obligation notes/bonds	\$ 589	719
Conservation loan	85	-
Total	\$ 674	719

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% percent of the assessed value of all taxable property within the County's corporate limits. Audubon County's outstanding general obligation debt is significantly below its constitutional debt limit of \$22,353,800 (total value times 5%). Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Audubon County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 7.4% compared to 5.3% a year ago. This compares with the State's unemployment rate of 6.7% and the national rate of 9.7%.

Amounts available for appropriation in the fiscal year 2011 operating budget are approximately \$9.564 million, a decrease of 12% from the final fiscal year 2010 budget. The operating balance is expected to increase approximately \$352,000. The County has added no major new programs or initiatives to the fiscal year 2011 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Audubon County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Audubon County Auditor's Office, 318 Leroy St. #4, Audubon, Iowa 50025.

Audubon County

Basic Financial Statements

Audubon County
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Cash and pooled investments	\$ 3,897,213
Receivables:	
Property tax:	
Delinquent	10,153
Succeeding year	3,344,000
Interest and penalty on property tax	4,265
Accounts	10,491
Loan	136,494
Accrued interest	39
Due from other governments	156,642
Inventories	307,369
Prepaid items	130,311
Capital assets (net of accumulated depreciation)	9,859,022
Total assets	17,855,999
Liabilities	
Accounts payable	229,419
Accrued interest payable	2,681
Salaries and benefits payable	17,362
Due to other governments	97,095
Deferred revenue:	
Succeeding year property tax	3,344,000
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	55,000
Bonds payable	24,189
Loan payable	16,246
Compensated absences	102,485
Portion due or payable after one year:	
Notes payable	110,000
Bonds payable	400,000
Loan payable	68,754
Compensated absences	87,719
Net OPEB liability	12,496
Total liabilities	4,567,446
Net Assets	
Invested in capital assets, net of related debt	9,716,932
Restricted for:	
Supplemental levy purposes	462,678
Mental health purposes	606,689
Secondary roads purposes	1,351,045
Debt service	3,619
Other purposes	46,548
Unrestricted	1,101,042
Total net assets	\$ 13,288,553

See notes to financial statements.

Audubon County
Statement of Activities
Year ended June 30, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,047,219	84,227	15,027	-	(947,965)
Physical health and social services	588,146	152,436	163,440	-	(272,270)
Mental health	658,737	1,165	485,930	-	(171,642)
County environment and education	407,588	48,116	18,741	169,866	(170,865)
Roads and transportation	3,358,890	12,045	2,013,229	-	(1,333,616)
Governmental services to residents	308,584	119,308	8,299	-	(180,977)
Administration	674,268	19,171	-	-	(655,097)
Interest on long-term debt	37,174	-	-	-	(37,174)
Total	<u>\$ 7,080,606</u>	<u>436,468</u>	<u>2,704,666</u>	<u>169,866</u>	<u>(3,769,606)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					3,217,123
Debt service					52,123
Penalty and interest on property tax					23,184
State tax credits					167,823
Local option sales tax					205,436
Unrestricted investment earnings					51,766
Gain on disposition of capital assets					2,500
Miscellaneous					30,571
Total general revenues					<u>3,750,526</u>
Change in net assets					(19,080)
Net assets beginning of year					<u>13,307,633</u>
Net assets end of year					<u>\$ 13,288,553</u>
See notes to financial statements.					

Audubon County
Balance Sheet
Governmental Funds

June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,691,962	710,444	349,852	1,094,577
Receivables:				
Property tax:				
Delinquent	8,192	1,552	258	-
Succeeding year	1,762,000	422,000	1,152,000	-
Interest and penalty on property tax	4,265	-	-	-
Accounts	10,345	-	-	-
Loan	136,494	-	-	-
Accrued interest	39	-	-	-
Due from other governments	27,528	-	-	129,114
Inventories	-	-	1,793	305,576
Prepaid items	15,311	-	-	115,000
Total assets	\$ 3,656,136	1,133,996	1,503,903	1,644,267
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 39,040	25,601	951	163,786
Salaries and benefits payable	11,812	-	694	4,856
Due to other governments	8,890	79,706	-	8,499
Deferred revenue:				
Succeeding year property tax	1,762,000	422,000	1,152,000	-
Other	9,556	1,272	258	-
Total liabilities	1,831,298	528,579	1,153,903	177,141
Fund balances:				
Reserved for:				
Supplemental levy purposes	407,301	-	67,722	-
Debt service	-	-	-	-
Loan receivable	136,494	-	-	-
Unreserved, designated for:				
Courthouse improvements	150,000	-	-	-
Economic development	15,314	-	-	-
Park improvements	16,241	-	-	-
Conservation equipment	35,000	-	-	-
Law enforcement purposes	55,000	-	-	-
Unreserved, undesignated, reported in:				
General fund	1,009,488	-	-	-
Special revenue funds	-	605,417	282,278	1,467,126
Total fund balances	1,824,838	605,417	350,000	1,467,126
Total liabilities and fund balances	\$ 3,656,136	1,133,996	1,503,903	1,644,267

See notes to financial statements.

Nonmajor	Total
50,378	3,897,213
151	10,153
8,000	3,344,000
-	4,265
146	10,491
-	136,494
-	39
-	156,642
-	307,369
-	130,311
58,675	7,996,977

41	229,419
-	17,362
-	97,095
8,000	3,344,000
151	11,237
8,192	3,699,113

-	475,023
3,935	3,935
-	136,494
-	150,000
-	15,314
-	16,241
-	35,000
-	55,000
-	1,009,488
46,548	2,401,369
50,483	4,297,864
58,675	7,996,977

Audubon County

Audubon County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2010

Total governmental fund balances (page 19)	\$ 4,297,864
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***Amounts reported for governmental activities in the Statement of Net Assets
are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$17,113,016 and the accumulated depreciation is \$7,253,994.	9,859,022
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Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	11,237
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Long-term liabilities, including notes payable, bonds payable, loan payable, other postemployment benefits payable, compensated absences payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(879,570)
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Net assets of governmental activities (page 16)	<u><u>\$ 13,288,553</u></u>
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See notes to financial statements.

Audubon County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2010

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,604,424	558,975	1,044,852	-
Loan option sales tax	-	-	-	205,436
Interest and penalty on property tax	23,401	-	-	-
Intergovernmental	574,897	516,292	196,478	2,013,229
Licenses and permits	12,919	-	-	405
Charges for service	222,283	-	-	15
Use of money and property	64,726	-	-	-
Miscellaneous	95,625	1,165	-	24,731
Total revenues	2,598,275	1,076,432	1,241,330	2,243,816
Expenditures:				
Operating:				
Public safety and legal services	989,545	-	29,011	-
Physical health and social services	586,559	-	-	-
Mental health	-	658,737	-	-
County environment and education	249,188	-	294,829	-
Roads and transportation	-	-	166,262	2,551,926
Governmental services to residents	295,795	-	1,050	-
Administration	701,942	-	14,739	-
Debt service	57,358	-	-	-
Capital projects	10,958	-	1,339	38,740
Total expenditures	2,891,345	658,737	507,230	2,590,666
Excess (deficiency) of revenues over (under) expenditures	(293,070)	417,695	734,100	(346,850)
Other financing sources (uses):				
Conservation loan proceeds	89,000	-	-	-
Operating transfers in	-	-	-	577,455
Operating transfers out	(5,000)	-	(577,455)	(56,973)
Total other financing sources (uses)	84,000	-	(577,455)	520,482
Net change in fund balances	(209,070)	417,695	156,645	173,632
Fund balances beginning of year	2,033,908	187,722	193,355	1,293,494
Fund balances end of year	\$ 1,824,838	605,417	350,000	1,467,126

See notes to financial statements.

Nonmajor	Total
52,005	3,260,256
-	205,436
-	23,401
16,219	3,317,115
-	13,324
3,825	226,123
101	64,827
865	122,386
73,015	7,232,868

2,399	1,020,955
-	586,559
-	658,737
16,304	560,321
-	2,718,188
3,045	299,890
-	716,681
114,213	171,571
9,888	60,925
145,849	6,793,827

(72,834)	439,041
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-	89,000
61,973	639,428
-	(639,428)
61,973	89,000

(10,861)	528,041
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61,344	3,769,823
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50,483	4,297,864
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Audubon County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2010

Net change in fund balances - Total governmental funds (page 23) \$ 528,041

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 338,636	
Depreciation expense	<u>(741,627)</u>	(402,991)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.

2,500

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	7,520	
Other	<u>(181,362)</u>	(173,842)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issuances, as follows:

Issued	(89,000)	
Repaid	<u>134,000</u>	45,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(5,689)	
Interest on long-term debt	397	
Other postemployment benefits	<u>(12,496)</u>	<u>(17,788)</u>

Change in net assets of governmental activities (page 17) \$ (19,080)

See notes to financial statements.

Audubon County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

Assets

Cash and pooled investments:	
County Treasurer	\$ 497,604
Other County officials	16,250
Receivables:	
Property tax:	
Delinquent	31,501
Succeeding year	6,775,000
Accounts	13,658
Due from other governments	2,572
Total assets	<u>7,336,585</u>

Liabilities

Accounts payable	2,535
Due to other governments	7,322,761
Trusts payable	4,768
Compensated absences	6,521
Total liabilities	<u>7,336,585</u>

Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Audubon County

Audubon County

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Audubon County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Audubon County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Public Safety Commission, County Joint E911 Service Board and County Solid Waste Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the County. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure, roads	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	20 - 50
Building improvements	20 - 50
Infrastructure	30 - 65
Intangibles	5 - 20
Equipment	3 - 20
Vehicles	5 - 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$150,007 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 577,455
Debt Service	General	5,000
	Special Revenue: Secondary Roads	56,973
Total		<u>\$ 639,428</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 930,886	-	-	930,886
Construction in progress	394,225	113,726	409,610	98,341
Total capital assets not being depreciated	1,325,111	113,726	409,610	1,029,227
Capital assets being depreciated:				
Buildings	1,108,357	78,367	-	1,186,724
Building improvements	205,035	-	-	205,035
Equipment and vehicles	4,850,354	58,541	30,887	4,878,008
Infrastructure, roads	8,408,531	90,502	-	8,499,033
Infrastructure, other	905,379	409,610	-	1,314,989
Total capital assets being depreciated	15,477,656	637,020	30,887	16,083,789
Less accumulated depreciation for:				
Buildings	421,726	29,780	-	451,506
Building improvements	203,004	2,030	-	205,034
Equipment and vehicles	3,916,336	242,164	30,887	4,127,613
Infrastructure, roads	1,831,074	403,154	-	2,234,228
Infrastructure, other	171,114	64,499	-	235,613
Total accumulated depreciation	6,543,254	741,627	30,887	7,253,994
Total capital assets being depreciated, net	8,934,402	(104,607)	-	8,829,795
Governmental activities capital assets, net	<u>\$ 10,259,513</u>	<u>9,119</u>	<u>409,610</u>	<u>9,859,022</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 38,015
County environment and education	75,822
Roads and transportation	597,065
Governmental services to residents	7,010
Administration	23,715
Total depreciation expense - governmental activities	<u>\$ 741,627</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 8,890
Special Revenue:		
Mental Health	Services	79,706
Secondary Roads	Services	8,499
		<u>88,205</u>
Total for governmental funds		<u>\$ 97,095</u>
Agency:		
County Offices	Collections	\$ 14,223
Agriculture Extension Education		90,068
County Assessor		224,781
County Hospital		560,620
Schools		4,608,825
Community Colleges		176,104
Corporations		1,125,663
Townships		146,230
Auto License and Use Tax		147,492
All other		<u>228,755</u>
Total for agency funds		<u>\$ 7,322,761</u>

(6) Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	General Obligation Notes	General Obligation Economic Development Bonds	Conser- vation Loan	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 270,000	449,189	-	184,515	-	903,704
Increases	-	-	89,000	163,651	12,496	265,147
Decreases	105,000	25,000	4,000	157,962	-	291,962
Balance end of year	<u>\$ 165,000</u>	<u>424,189</u>	<u>85,000</u>	<u>190,204</u>	<u>12,496</u>	<u>876,889</u>
Due within one year	<u>\$ 55,000</u>	<u>24,189</u>	<u>16,246</u>	<u>102,485</u>	<u>-</u>	<u>197,920</u>

General Obligation Notes

In March 2005, the County issued \$1,450,000 of general obligation county purpose and refunding notes with an average interest rate of 2.91% per annum to refund \$770,000 of outstanding general obligation capital loan notes dated April 1, 1996 with interest rates ranging from 4.80% to 5.10% per annum.

Details of the refunding notes outstanding at June 30, 2010 are as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.25%	\$ 55,000	5,610	60,610
2012	3.40	55,000	3,822	58,822
2013	3.55	55,000	1,953	56,953
Total		\$ 165,000	11,385	176,385

General Obligation Bonds

In September 2007, the County issued \$500,000 of general obligation economic development bonds. The proceeds of \$500,000 were provided to Valley Business Park Corporation to purchase land for economic development. Audubon County expects to pay \$40,000 annually toward principal and interest on the debt with Valley Business Park Corporation contributing the remainder of the payment. No formal agreement exists between the County and Valley Business Park Corporation detailing the terms for repayment of the debt. However, at June 30, 2010, a loan receivable of \$136,494 has been recognized in the County's financial statements representing the amount Valley Business Park Corporation is expected to contribute to the repayment of the County's debt.

Details of the general obligation bonds outstanding as of June 30, 2010 are as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2011	6.25%	\$ 24,189	26,563	50,752
2012	6.25	25,000	25,000	50,000
2013	6.25	30,000	23,437	53,437
2014	6.25	30,000	21,563	51,563
2015	6.25	30,000	19,688	49,688
2016-2020	6.25	195,000	66,250	261,250
2021-2022	6.25	90,000	8,437	98,437
Total		\$ 424,189	190,938	615,127

Conservation Loan

In April 2010, the County borrowed \$89,000 to complete work on Phase V of the countywide bike trail project. The loan is payable in quarterly installments of \$5,063, including interest at 5% per annum, over a period of four years.

(7) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary for the current year. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$153,259, \$136,405 and \$126,862, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

The County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions, during the year ended June 30, 2010.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 52 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a health plan insured through the Iowa Association of Counties group plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 25,510
Contributions made	<u>(13,014)</u>
Increase in net OPEB obligation	12,496
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 12,496</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$13,014 to the medical plan. Plan members eligible for benefits contributed \$5,938, or 31% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 25,510	51.0%	\$ 12,496

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was approximately \$218,300, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$218,300. The covered payroll (annual payroll of active employees eligible to be covered by the plan) was approximately \$1,978,000 and the ratio of the UAAL to covered payroll was 11%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality Table.

Projected claim costs of the medical plan are \$746 per month for retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open group basis over 30 years.

(9) Risk Management

The County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2010 were \$107,786.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may

withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Audubon County

Required Supplementary Information

Audubon County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2010

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 3,513,295	3,468,178	3,468,178	45,117
Interest and penalty on property tax	931	-	-	931
Intergovernmental	3,352,394	3,562,152	4,023,152	(670,758)
Licenses and permits	13,339	1,500	1,500	11,839
Charges for service	224,248	195,643	198,543	25,705
Use of money and property	67,096	54,535	54,535	12,561
Miscellaneous	121,265	43,615	223,311	(102,046)
Total receipts	7,292,568	7,325,623	7,969,219	(676,651)
Disbursements:				
Public safety and legal services	1,035,779	1,077,868	1,077,868	42,089
Physical health and social services	583,452	634,281	634,281	50,829
Mental health	680,767	999,370	999,370	318,603
County environment and education	671,793	1,102,670	1,471,670	799,877
Roads and transportation	2,477,185	2,989,465	2,961,279	484,094
Governmental services to residents	304,444	321,521	324,187	19,743
Administration	736,099	729,513	767,179	31,080
Non-program	-	100	100	100
Debt service	119,275	136,313	136,313	17,038
Capital projects	352,381	33,999	413,499	61,118
Total disbursements	6,961,175	8,025,100	8,785,746	1,824,571
Excess (deficiency) of receipts over (under) disbursements	331,393	(699,477)	(816,527)	1,147,920
Other financing sources, net	89,000	-	-	89,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	420,393	(699,477)	(816,527)	1,236,920
Balance beginning of year	3,476,820	2,743,457	2,743,457	733,363
Balance end of year	\$ 3,897,213	2,043,980	1,926,930	1,970,283

See accompanying independent auditor's report.

Audubon County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,292,568	(171,455)	7,232,868
Expenditures	6,961,175	(167,348)	6,793,827
Net	331,393	(4,107)	439,041
Other financing sources, net	89,000	-	89,000
Beginning fund balances	3,476,820	293,003	3,769,823
Ending fund balances	\$ 3,897,213	288,896	4,297,864

See accompanying independent auditor's report.

Audubon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$760,646. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

Audubon County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 218	218	0.00%	\$ 1,978	11%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Audubon County

Other Supplementary Information

Audubon County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

				Special
	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Jail Commissary
Assets				
Cash and pooled investments	\$ 13,637	5,612	900	1,038
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	134	-	12
Total assets	\$ 13,637	5,746	900	1,050
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	41
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	-	41
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved, reported in:				
Special revenue funds	13,637	5,746	900	1,009
Total fund equity	13,637	5,746	900	1,009
Total liabilities and fund balances	\$ 13,637	5,746	900	1,050

See accompanying independent auditor's report.

Revenue				
Forfeiture	AAE Task Force	Tax Increment Financing	Debt Service	Total
17,619	7,342	295	3,935	50,378
-	-	-	151	151
-	-	-	8,000	8,000
-	-	-	-	146
17,619	7,342	295	12,086	58,675
-	-	-	-	41
-	-	-	8,000	8,000
-	-	-	151	151
-	-	-	8,151	8,192
-	-	-	3,935	3,935
17,619	7,342	295	-	46,548
17,619	7,342	295	3,935	50,483
17,619	7,342	295	12,086	58,675

Audubon County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2010

	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Special Jail Commissary
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	13,398	-	-	-
Charges for service	-	1,373	-	2,452
Use of money and property	68	7	-	-
Miscellaneous	-	-	-	-
Total revenues	13,466	1,380	-	2,452
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	1,941
County environment and education	16,304	-	-	-
Governmental services to residents	-	3,045	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	16,304	3,045	-	1,941
Excess (deficiency) of revenues over (under) expenditures	(2,838)	(1,665)	-	511
Other financing sources:				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(2,838)	(1,665)	-	511
Fund balances beginning of year	16,475	7,411	900	498
Fund balances end of year	\$ 13,637	5,746	900	1,009

See accompanying independent auditor's report.

Revenue					
Forfeiture	AAE Task Force	Tax Increment Financing	Debt Service	Capital Projects	Total
-	-	-	52,005	-	52,005
-	-	-	2,821	-	16,219
-	-	-	-	-	3,825
-	-	-	26	-	101
850	15	-	-	-	865
850	15	-	54,852	-	73,015
85	373	-	-	-	2,399
-	-	-	-	-	16,304
-	-	-	-	-	3,045
-	-	-	114,213	-	114,213
-	-	-	-	9,888	9,888
85	373	-	114,213	9,888	145,849
765	(358)	-	(59,361)	(9,888)	(72,834)
-	-	-	61,973	-	61,973
765	(358)	-	2,612	(9,888)	(10,861)
16,854	7,700	295	1,323	9,888	61,344
17,619	7,342	295	3,935	-	50,483

Audubon County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools	Community Colleges
Assets						
Cash and pooled investments:						
County Treasurer	\$ -	851	64,862	5,274	43,139	1,690
Other County officials	16,250	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	217	440	1,346	10,686	414
Succeeding year	-	89,000	166,000	554,000	4,555,000	174,000
Accounts	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Total assets	\$ 16,250	90,068	231,302	560,620	4,608,825	176,104
Liabilities						
Accounts payable	\$ -	-	-	-	-	-
Due to other governments	14,223	90,068	224,781	560,620	4,608,825	176,104
Trusts payable	2,027	-	-	-	-	-
Compensated absences	-	-	6,521	-	-	-
Total liabilities	\$ 16,250	90,068	231,302	560,620	4,608,825	176,104

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
18,496	1,193	147,492	214,607	497,604
-	-	-	-	16,250
16,167	37	-	2,194	31,501
1,091,000	145,000	-	1,000	6,775,000
-	-	-	13,658	13,658
-	-	-	2,572	2,572
1,125,663	146,230	147,492	234,031	7,336,585
-	-	-	2,535	2,535
1,125,663	146,230	147,492	228,755	7,322,761
-	-	-	2,741	4,768
-	-	-	-	6,521
1,125,663	146,230	147,492	234,031	7,336,585

Audubon County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools	Community Colleges
Assets and Liabilities						
Balances beginning of year	\$ 16,279	79,085	221,375	492,702	3,982,955	158,114
Additions:						
Property and other county tax	-	89,345	165,872	553,496	4,550,869	173,888
E911 surcharge	-	-	-	-	-	-
State tax credits	-	4,251	8,619	26,342	215,775	8,564
Drivers license fees	-	-	-	-	-	-
Office fees and collections	185,695	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	51,970	-	-	-	-	-
Miscellaneous	-	-	979	-	-	-
Total additions	237,665	93,596	175,470	579,838	4,766,644	182,452
Deductions:						
Agency remittances:						
To other funds	76,048	-	-	-	-	-
To other governments	161,646	82,613	165,543	511,920	4,140,774	164,462
Trusts paid out	-	-	-	-	-	-
Total deductions	237,694	82,613	165,543	511,920	4,140,774	164,462
Balances end of year	\$ 16,250	90,068	231,302	560,620	4,608,825	176,104

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
1,105,425	125,490	121,987	210,971	6,514,383
1,065,878	147,277	-	756	6,747,381
-	-	-	59,433	59,433
91,077	5,774	-	43	360,445
-	-	14,756	-	14,756
-	-	-	-	185,695
-	-	1,877,704	-	1,877,704
-	-	-	10,137	10,137
-	-	-	27,723	79,693
-	-	-	116,681	117,660
1,156,955	153,051	1,892,460	214,773	9,452,904
-	-	73,220	-	149,268
1,136,717	132,311	1,793,735	156,572	8,446,293
-	-	-	35,141	35,141
1,136,717	132,311	1,866,955	191,713	8,630,702
1,125,663	146,230	147,492	234,031	7,336,585

Audubon County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Ten Years

	2010	2009	2008	2007
Revenues:				
Property and other county tax	\$ 3,260,256	3,165,443	3,339,314	2,947,792
Local option sales tax	205,436	252,399	364,263	201,385
Interest and penalty on property tax	23,401	18,757	20,466	23,520
Intergovernmental	3,317,115	3,042,035	3,546,225	2,892,234
Licenses and permits	13,324	9,430	7,863	7,154
Charges for service	226,123	243,189	218,088	217,759
Use of money and property	64,827	66,821	176,424	215,182
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	122,386	93,200	302,894	110,007
Total	\$ 7,232,868	6,891,274	7,975,537	6,615,033
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,020,955	980,359	894,634	860,371
Physical health and social services	586,559	563,834	544,721	486,841
Mental health	658,737	879,184	917,687	984,171
County environment and education	560,321	458,616	922,345	456,994
Roads and transportation	2,718,188	2,923,000	3,131,863	2,694,168
Governmental services to residents	299,890	306,424	263,128	278,339
Administration	716,681	644,180	616,972	620,005
Non-program	-	-	-	-
Debt service	171,571	161,098	411,481	406,297
Capital projects	60,925	440,636	338,024	665,932
Total	\$ 6,793,827	7,357,331	8,040,855	7,453,118

See accompanying independent auditor's report.

Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
2,787,515	3,205,924	3,338,129	2,950,977	2,811,885	2,581,094
203,123	254,776	196,492	59,069	-	-
20,609	20,450	845	20,980	22,157	19,822
2,777,310	3,714,840	3,018,341	2,930,548	2,919,289	2,793,354
8,043	6,672	6,576	7,476	7,848	8,016
210,753	255,559	222,763	185,468	152,826	137,629
175,395	93,839	69,443	86,529	124,347	238,013
-	-	7,765	628	-	-
107,614	230,858	100,200	84,765	130,736	171,418
6,290,362	7,782,918	6,960,554	6,326,440	6,169,088	5,949,346
849,610	856,744	756,027	762,680	699,282	638,479
482,623	508,597	479,342	457,745	435,150	429,974
822,787	882,496	752,504	783,792	787,913	712,072
377,990	973,576	459,100	322,272	340,393	630,831
2,966,815	3,060,502	2,521,497	2,644,847	2,493,707	3,120,572
327,444	265,773	232,024	239,967	237,673	201,179
635,940	577,630	535,153	673,327	602,338	587,952
-	-	208	-	7,568	15,402
407,951	295,207	280,990	281,310	274,980	273,305
242,763	282,835	344,654	410,712	44,018	68,092
7,113,923	7,703,360	6,361,499	6,576,652	5,923,022	6,677,858

Audubon County



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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Audubon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 7, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Audubon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Audubon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Audubon County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Scheduled of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

Compliance and Other Matters

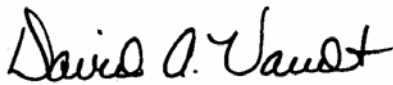
As part of obtaining reasonable assurance about whether Audubon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

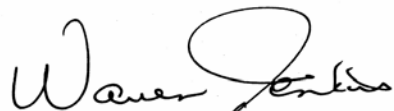
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Audubon County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Audubon County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Audubon County and other parties to whom Audubon County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Audubon County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 7, 2011

Audubon County

Schedule of Findings

Year ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. One or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:
- (1) Recorder – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. The individual responsible for preparing the disbursement, checking writing, signing, posting and reconciling is also the same individual responsible for receipting. A change fund is shared among employees.
 - (2) Sheriff – Bank reconciliations are not reviewed periodically by an independent person for propriety. Also, one person is responsible for collecting, recording and depositing funds.
 - (3) Treasurer – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash. One individual in the County Treasurer's office has custody of receipts and performs all investment record keeping and reconciling functions for the office. A change fund for the Treasurer's Office is shared among employees.
 - (4) Conservation – The duties of collecting and listing receipts for camping fees are not segregated and an initial listing is not completed to reconcile the amount collected to the cash recorded.
 - (5) Ag Extension – The duties of collecting, depositing, posting, daily reconciliation and initial listing of receipts are not segregated. Additionally, the bank reconciliation is performed by someone who handles or records cash.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Audubon County

Schedule of Findings

Year ended June 30, 2010

Responses –

Recorder – With only the Recorder and Deputy in the office, it is not possible to segregate duties.

Sheriff – One person does not collect, record and deposit funds. The civil clerk collects and records the funds. The deposits are made by the Sheriff or Chief Deputy. Bank reconciliations are done by the civil clerk and reviewed by both the Sheriff and Chief Deputy. I feel with the limited number of employees the Sheriff's Department has the maximum internal control possible is in place.

Treasurer – As Treasurer, I randomly list incoming items received in the mail and follow up to see the transaction was completed and the check receipted and deposited. The person who balances at the end of the day is not the person preparing the deposit the next day. All treasurer's checks issued require two signatures. Someone from an outside office verifies the bank reconciliation.

Conservation – We will continue with segregation of collecting camping fees and the opening and depositing of camping fees. I will try to incorporate my full time park attendant in the gathering of camping receipts so we have a third person involved with camping revenues.

Ag Extension – The Office Manager or Program Coordinator collect and receipt cash. The Bookkeeper deposits and records the receipts. It is extremely rare that the Bookkeeper is the only one in the office to collect or receipt cash. The Office Manager and program Coordinator never deposit or record receipts.

The bank reconciliation is performed by the Bookkeeper who records the receipts. However, there are several other steps we take with the bank reconciliation.

- 1) The Office Manager opens the bank statements and checks all transactions.
- 2) The Extension Council Treasurer reviews statements and bank reconciliations each month.
- 3) The Extension Council reviews all expenditures each month.
- 4) The Bookkeeper is required to send proof of monthly reconciliation to Cougar Mountain Accountant at Iowa State University.

Conclusion – Treasurer, Conservation and Ag Extension responses accepted. Recorder and Sheriff should utilize current personnel, including personnel from other offices, to provide additional control through review of financial transactions, reconciliations and reports.

Audubon County

Schedule of Findings

Year ended June 30, 2010

- (B) Inventory Misstatement – Inventory at June 30, 2010 was not calculated and recorded properly. The County did not measure and record stone on leased ground at the quarry and did not calculate the tonnage of rock, sand or salt at off-site locations. Instead, the prior year inventory for these items was reported in the County's financial statements. The County had measured the rock, sand and salt at County facilities as of June 30, 2010 and was able to calculate the correct inventory for financial reporting for these items. Through review of receipts and discussion with Secondary Roads employees, the County was able to determine a reasonable estimate of stone, rock sand and salt at off-site locations which appear to be materially correct.

Recommendation – The County should count and measure all inventory at the end of each fiscal year to ensure accurate amounts are recorded in the financial statements.

Response – The Board of Supervisor's will instruct the County Engineer to properly measure aggregate on leased and county property at the end of each fiscal year, and will follow up to make sure measurements are done.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Audubon County

Schedule of Findings

Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Steve Larsen, brother of E911 Director Les Larsen, owner of Steve's Signs	Materials and labor	\$ 1,395
Randall Nelsen, brother of Supervisor Todd Nelsen, owner of City Service and Parts and City Service-Exhaust Pros	Parts and installation	6,180
Jerry Riesgaard, brother of Veteran's Affairs Director Gary Riesgaard and brother-in-law of Supervisor Bruce Nelson	Township meeting and fence work	1,219
Tyler Thygesen, spouse of Melissa Thygesen, Data Processing Specialist in Sheriff's office	Vehicle cleaning	70
Dell Marten, Spouse of Becky Marten, Clerk in Auditor's Office	Errand	38

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Steve's Signs, Jerry Riesgaard, Tyler Thygesen and Dell Marten do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year. The County Attorney's Office was previously consulted and opined the transactions with City Service and Parts and City Service – Exhaust Pros do not constitute a conflict of interest since Todd Nelsen has no interest, direct or indirect, in the business of his brother and did not arrange the contracts.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

Audubon County

Schedule of Findings

Year ended June 30, 2010

- (8) Resource Enhancement and Protection Certification – The County chose not to dedicate property tax revenue to conservation purposes to the extent required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Audubon County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Karen J. Kibbe, Senior Auditor
Clinton J. Krapfl, Assistant Auditor
Stephanie A. Sissel, Staff Auditor
Nancy J. Umsted, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State